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GENERAL

1. Implications of Soviet-Satellite conference--US Embassy Warsaw believes that the current Soviet-Satellite meeting in Warsaw may have been called primarily to enable the eastern European powers to present a united answer to the London Conference on Germany. The Embassy concludes that the conference will be used as a major propaganda device to prove that the peoples of Europe overwhelmingly desire a "peaceful, democratic" solution of the German problem.

(CIA Comment: CIA concurs with the Embassy's estimate and also considers it probable that an "Eastern Union" will be formed, avowedly to protect the USSR and its Satellites against aggression from a resurgent Germany sponsored by the West. CIA also believes that at this conference the USSR may inform the Satellites of its intention: (a) to establish a provisional government for eastern Germany to coincide with the one contemplated for western Germany; or (b) to attempt to neutralize Germany's contribution to the European recovery program by expressing a desire, possibly couched in face-saving terms, to reach agreement on Germany with the West.)

2. US proposes talks on European security--The Department of State has advised the British, French, Canadian, Belgian, and Netherlands Governments of its willingness to begin joint exploratory talks on 29 June pursuant to the Vandenberg Resolution. The US contemplates an exchange of views on: (a) the situation in Europe as it affects security, including estimates of Soviet intentions; (b) security measures taken and to be taken by the signatories of the Brussels Pact; (c) security relations with other western European countries; and (d) the nature of the US association with European security arrangements under the Vandenberg Resolution.
3. Reported views and plans of Mediator Bernadotte--The US delegation to the UN has been confidentially informed by Secretary General Lie that Palestine Mediator Bernadotte views the situation as follows: (a) although the belligerents have unwillingly

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accepted the truce, they will be careful not to break it; and (b) because both parties remain hopeful concerning their prospects, it will be impossible to obtain an agreed solution before the expiration of the truce. Bernadotte indicates that he will therefore endeavor to gain time by making vague proposals calculated to prolong the truce rather than firm and precise proposals which, if rejected, would mean that the recalcitrant party would refuse to extend the truce. The UN Mediator will also strive to obtain agreement for the demilitarization of Jerusalem and the Holy Places; he regards a minimum of 1,000 UN armed guards to be essential for the protection of Jerusalem.

EUROPE

4. **GERMANY:** Soviet solution for Berlin problems suggested -- US Ambassador Murphy reports from Berlin that the Soviet chief of liaison and protocol has suggested informally to the US liaison officer that possibly an adjustment of present national lines in Germany could be made in order to eliminate the friction caused by US-Soviet contact in Berlin. Murphy indicates that this suggestion came during a general conversation, in the course of which the Soviet officer asked whether the US was not "skating on very thin ice" in relation to the danger of war. The Soviet officer evaded any specific answer as to whether the suggested "readjustment" would involve US withdrawal from Berlin in exchange for parts of Saxony and Thuringia. Murphy attaches significance to this suggestion because the Soviet officer is known to be an intimate of Marshal Sokolovsky. Murphy believes that the suggestion may indicate a Soviet desire to bargain rather than force the present issue.

(CIA Comment: CIA believes that the conversation is a feeler to test US determination to: (a) continue its present policies in Europe in the face of Soviet threats; and (b) remain in Berlin even if offered a face-saving chance to get out.)

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5. FRANCE: Dispute between Foreign Office and Military Governor
US Embassy Paris has learned [redacted]

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[redacted] that a serious dispute between Foreign Minister Bidault and the French Military Governor in Germany has resulted from the request of the Governor that he be sent instructions in variance with the terms of the London agreements. [redacted]

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[redacted] the Foreign Office is insisting upon compliance with the terms of the London agreements, even if it means the replacement of the Military Governor who is known to be a strong supporter of General De Gaulle and may therefore share De Gaulle's hostility to the London agreements.

(CIA Comment: CIA believes that the Government will continue to take a strong stand with respect to compliance with the principles of the London agreements.)

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